

---

<b>FISCAL POLICY MANUAL .....</b>	<b>1</b>
<b>THIRD PARTY PAYER 1099MISC REPORTING .....</b>	<b>1</b>
<b>PREFACE.....</b>	<b>1</b>
<b>DEFINITIONS .....</b>	<b>1</b>
<b>POLICY.....</b>	<b>1</b>
<b>ADMINISTRATIVE PROCEDURES .....</b>	<b>2</b>

# FISCAL POLICY MANUAL

---

## THIRD PARTY PAYER 1099MISC REPORTING

---

### PREFACE

State agencies use a variety of means to pay expenditures using a third party to make the original payment to the vendor. The agencies may use state-obligated credit cards such as debit cards, purchasing cards, or fuel cards. The State of Idaho has the responsibility of correctly and completely reporting 1099MISC expenditures to the Internal Revenue Service (IRS). For most state agencies, that responsibility is handled by State Controller's, but it can also be handled by any individual agency that reports directly to the IRS.

Adherence to this policy will enhance the correctness and completeness of the 1099MISC reporting, whether the reporting is done by the agency or by the SCO.

### DEFINITIONS

Third-party payer – The third-party vendor that makes the payment to the original vendor from which the purchase was made by the state agency. The third-party payer bills the agency for those purchases made on behalf of the state.

1099MISC Reportable – Any goods or services as defined in the most current version of the IRS instructions for 1099MISC reporting. For complete information, refer to the current version of the 1099MISC instruction found at [www.irs.gov](http://www.irs.gov).

### POLICY

The SCO identifies the 1099MISC expenditure subobjects and makes sure that they report correctly on the 1099MISC and to the IRS. To maintain that accuracy, SCO personnel reviews the current year's 1099MISC instructions to make any changes or additions to the expenditure subobject list.

State agencies have the primary responsibility for correct STARS coding, regardless of whether that payment is made directly to the vendor or through a third-party payer. Therefore, state agencies should use the expenditure subobject that best describes the product or service provided by the vendor. State agencies should code the expenditure to the actual vendor number whenever possible or always if the expenditure is 1099MISC reportable.

## ADMINISTRATIVE PROCEDURES

Agencies have two options for recording and processing transactions associated with a third party. They can manually create the transactions and key them into the accounting system as they do other payments, or they can use the P-Card application provided by the SCO.

When the agency manually records the transactions, it is generally done when the payment to the bank is being processed. This requires adjustments to be made to record expenditures to a specific vendor.

When the agency uses the P-Card application, many of the business rules for 1099 reporting as in place, some account coding is defaulted, transactions codes are assigned, and the transactions are interfaced to STARS. The transactions process and post to the accounting system prior to the payment to the third party payer (or bank).

See the detailed administrative procedures for transaction codes and other coding to be used in each of these two processes.